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REPORT ON KOTRA

FOR

KOREA TRADE PROMOTION CORPORATION

UNITED STATES OPERATIONS MISSION/KOREA

AGENCY FOR INTERNATIONAL DEVELOPMENT/WASHINGTON

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THE ASSIGNMENT

In keeping with the assignment, this report is being rendered to the Korea Trade Promotion Corporation, United States Operations Missions to Korea, and Agency for International Development.

THE ASSIGNMENT was to make a complete survey and assessment of the work of the Korea Trade Promotion Corporation (KOTRA), evaluate its staff, organizational structure, methods of operation and the effectiveness of its work both in Korea and abroad, also to assist in connection with KOTRA's "School for Exports."

KOTRA's aim is to promote the increase of exports. In order to accomplish this goal its functions include sales promotion and research, a campaign of public relations and advertising, information service to exporters and importers, maintenance of a research library and shipping information service. In addition to the work done in Seoul, Pusan and elsewhere in Korea, sales promotion and research are likewise carried on in KOTRA's overseas branches where Korean products are displayed. They also are now exhibited at the New York World's Fair. Internal functions are handled by the budget, audit, accounting and general affairs departments.

SOURCES EXPLORED included personal discussions with:

1. KOTRA's President, Mr. Oh, Pum Sik, its Directors, all Chiefs of Sections and others in executive positions as well as with various staff members.
2. Mr. Amicus Most, Senior Advisor, Export Development and Private Enterprise, and those other USOM executives whose work deals with exports including Messrs. Frank Landers, Niels C. Beck, Clifton Day, Richard Goodrich, Henry Holle, Bert Maripolsky, Joe Motheral, James Murray and Garnett Zimmerly.
3. Managers of two Korea Trade Centers located in the United States, and one located in Tokyo, Commercial Attache of the New York Korean Consular Office, the Manager of the New York Korean Trade Center regarding the World's Fair Korean exhibit and sales pavillion.
4. Executives of the Korean Traders Association, Korean Businessmen's Association, Chamber of Commerce of Korea and National Federation of Medium and Light Industry Cooperative Association.
5. Officials of the Korean Ministry of Commerce and Industry.
6. Several Korean exporters, several American and English importers; and Tom Tudor, a member of the Robert Nathan Associates group now operating in Seoul.

Attached is KOTRA's organizational chart showing pertinent data including the number assigned to each Section and the number of personnel employed in each.

ORGANIZATION CHART OF KOTRA

President Oh, Pum Sik
Senior Director Kar, Yong Ok

Director	Section Chiefs	No of Pers	Section	Function
Lee, Sang Won	Kwon, Chang Hwan	5	1A	Research
	Kim, Jung Eun	7	1A	
	Choi, Eil Hwan	8	1A	
			1B	Export Insurance Committee
	Executive Secretary	10	2A	Export Promotion Committee Secretariat
	Yoon, Dae Kyun		2B	Operations Advisory Committee
	Secretary			
	Chun, Hae Chang			
	Choo, Kyung Ho	12	3A	Publications
	Park, Seong Yong		3B	Public Relations Advisory Committee
Yim, Hee Kon	Kim, Bok Moon	6	4	Business Information Service
	Lee, Soo Ik	5		
	Chang, Moo Hwan	9		
	Yu, Buyng Il	4	5	Trade Information Service and Shipping Center
	Song, Hak Rai	4	6	Vietnam Export Promotion Center
	Kim, Yung Joon	6	7	Exhibit Service
	Lee, Eun Kyu	8	8	International Fairs and Trade Exhibits
	Kang, Suk Kwon	14	9A 9B	Export Center Exhibits, et al Packaging and Design Committee
	Han, Kyung Won	9	10	Public Relations and Advertising
	Hyun, Cho Jong	1	11	Handicraft Center
Kang, Yong Ock	Hyun, U Sup	5	12	Export Training School
None		30	13	Overseas Branches (K T C) Researchers and Correspondents
Lim, Chul Ku	Ko, Suk Won	10	14	General Affairs
	Chung, Tae Yoon	6	15	Accounting
	Kang, Yong Ho	7	16	Trade Library
	Min, Hyun Sik Lee, Poong Jik	11	17	Budgetary Management
Lee, Chae Uk	Lee, Il Woo	1	18	Auditor
	Drivers, Cleaners			
	Guards	29		
	Telephone Operators	3		
	Typists	6		
	Director's Secretaries	4		
	President's Office	3		
	Presidents and Director	6		
TOTAL		242		

INTRODUCTION AND POLICY RECOMMENDATIONS

Those who are familiar with the operations of KOTRA may not find it necessary to read this entire report. The writer suggests that such individuals can confine themselves to reading the capsule Summary of Specific Recommendations and General Recommendations which appear on Pages 35 and 39 and the Conclusions on Page 40.

In order to give a broad general view of the contents of this report, the Policy Recommendations are presented below. It will be noted that the principal Policy Recommendations underscore the importance of activities overseas. It is overseas where a major effort must be made and where it can accomplish without exaggeration one-hundred times as much as efforts at home. This is especially true now and will continue to be so until Korea has carved out an appropriate niche for itself in world trade. It would be folly to expect to spread Korea's message from the home office. It must be done on the spot by sales-promotion minded representatives or sellers themselves.

POLICY RECOMMENDATIONS

1. Strengthen the Overseas Network by increasing it to twelve Trade Centers as soon as possible and even more at a later date (See Section 13.)
2. Emphasize sales promotion as KOTRA's foremost activity without neglecting the other functions.
3. Make it as attractive as possible for businessmen to take sales promotion trips abroad.
4. Require that English be spoken by every employee of the KOTRA staff in those sections requiring such knowledge. For such sections, English should be a must for new employees while present employees should be allowed a reasonable time to learn it.

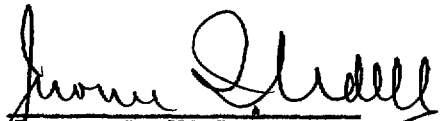
Insist that KTC staffs of the Overseas Network speak the native tongue of the country in which they are located. Insist, moreover, that at least one in each KTC anywhere speaks English.
5. Encourage the business and financial community to participate to a greater extent in KOTRA's work. (See Section 2B.)
6. Discontinue asking KOTRA to handle tasks that do not properly fall in the field of export promotion. (See Sections 1B and 2A.)
7. Soft-pedal the attempt to collect revenues now for services rendered. Business will gladly pay for vital services at the proper time.
8. Treat all businesses alike whether they are members of KOTRA or not. (See Section 4.)

9. Discontinue all advertising at home and overseas. In its place, adopt a sound public relations program. (See Section 10.)
10. Concentrate time, energy and money in the geographical and the product areas where the potential is biggest. Select and cultivate one next best area.
11. KOTRA's principal aims should be to arrange contacts between sellers and buyers and to provide the data accumulated by the Research Department and related to export selling and exports.
12. Discontinue participation in World Fairs (See Section 8.)

This report deals with each operation in two parts: first, the function and present modus operandi of each Section, and second, the author's observations and recommendations. Details of each recommendation will be found in the specific section devoted to that subject.

It should be emphasized that the observations and recommendations contained in this report are mine in my capacity as Advisor to KOTRA and are not attributable to any other person or organization.

Respectfully submitted,


Jerome I. Udell
Advisor to KOTRA

SECTION 1A - RESEARCH

FUNCTIONS. The Research Section accumulates its data from the eight Korea Trade Centers, the three Researchers and ten Correspondents overseas (hereinafter referred to as the Overseas Network), the Korean Embassies and Consulates (hereinafter referred to as Diplomatic Offices abroad), field trips in Korea, the KOTRA Trade Library, foreign publications and the Bank of Korea. This is a continuing process. The information accumulated is used in answering domestic inquiries, mostly from government agencies with a modest percentage from private Korean associations and businessmen.

The type of data sought includes:

1. Domestic and foreign trade regulations.
2. Potential foreign markets for specific products.
3. Korean exporters, their products, specifications, prices, production data and credit standing. This data is filed by product showing the names of manufacturers and traders. It is supplied to exporters, the Ministry of Finance, those who inquire from abroad and others.
4. Korean export statistics and import statistics by foreign countries.
5. Korean trade conditions, productive capacity and manpower.

The Research Section prepares and publishes a wide variety of special releases printed in Korean dealing with specific countries or with special products for export and supplying pertinent data such as quantities bought, where presently bought, seasonal buying dates, desired deliveries, prices, tariffs, quotas, foreign regulations and packaging. Other special releases deal with the Korean export trade situation. From 700 to 1,000 copies are distributed mainly to KOTRA members, traders, producers, business associations and government agencies.

OBSERVATIONS AND RECOMMENDATIONS: A great many test checks on this Section show that the Research data is quite up-to-date and that correspondence, which is virtually all in Korean, is handled promptly and answered efficiently and that its other functions are well performed.

It is recommended, however, that a study be made of the special releases to determine whether they are all necessary, how effective they are, and whether the list of recipients needs revision up or down.

An extra supply of pertinent loose pages taken from the proposed "Buyers Guide" (see Section 3) should be kept on hand to facilitate the response to inquiries.

SECTION 1B - EXPORT INSURANCE

FUNCTIONS: KOTRA was asked by the Export Promotion Committee to explore and develop an export insurance program. KOTRA has organized a committee consisting of one educator, representatives of the Bank of Korea, the Korean Traders Association, Re-Insurance Company and their Director Lee, Sang Won. On July 10 the committee of five met together with a member of Congress, one representative each of MCI and the Ministry of Justice and one from a fire insurance company. When the requested budget of \$3,000 to cover the cost of bringing several experts to Korea is approved, the group will research such questions as the appropriate export insurance system for Korea, the limits and types of risks, the size of the fund needed in order to operate, the premium rates, the amount of co-insurance, suitable regulations and sundry other aspects of the program.

OBSERVATIONS AND RECOMMENDATIONS: The creation of an export insurance program should be expedited since it is essential in order to stimulate the greatest possible interest on the part of Korean producers and traders in the export field. It should not, however, be part of KOTRA.

SECTION 2A SECRETARIAT OF THE EXPORT PROMOTION COMMITTEE AND THE EXPORT PROMOTION SUBCOMMITTEE

FUNCTIONS: Twelve KOTRA employees constitute this Secretariat which serves full time both the Export Promotion Committee (EPC), an exclusively Korean body consisting of representatives of the Government, Bank of Korea, KOTRA and private Korean organizations, and the Export Promotion Subcommittee (EPSC), a joint body consisting of representatives of ROK ministerial offices, private Korean organizations and USOM. One of the twelve KOTRA men is stationed at the EPSC headquarters and three are stationed at the Ministry of Commerce and Industry.

The EPSC was created to coordinate the groups mentioned into one working organization to plan methods of increasing exports.

Examples of some specific assignments follow:

Example 1 - To work up the long-range plan for exporting \$300,000,000 in 1967, estimating the amounts to be exported by industries. (MCI)

Example 2 - To study the effect on export prices of major products after the May 3, 1965 revision of the foreign exchange rate. (MOF)

Example 3 - To work up a proposal to use Inchon Harbour for ships carrying exports. (MOT)

Example 4 - To study a proposal submitted by the Agricultural Cooperative and Fisheries Cooperative Associations to determine whether it would be better to buy on competitive bids or to negotiate purchases. (MOAF)

Example 5 - To present a plan to increase exports of such products as leaf tobacco, medicines, marine products, silk fabrics and raw silk, and many others which have been doing a growing export volume. (KOTRA)

Example 6 - To explore the possibility of getting lower freight charges for mineral exports. (MOT)

Example 7 - To chart export statistics for each prior year. (MCI)

Other specific assignments may deal with the following, for example:

1. Research the export performance by leading industries. (MCI)
2. Propose methods of exporting more in such fields as cattle, live swine, agar-agar and others, in which exports have not fared well. (KOTRA)
3. Arrange meetings of exporters in specific industries with a view toward finding ways of improving volume by minimizing export difficulties. (KOTRA)
4. Prepare and print agendas, background material and most of the various EPC and EPSC reports. (KOTRA)

OBSERVATIONS AND RECOMMENDATIONS: The EPC and EPSC are doing a splendid and very important job of corraling and coordinating the wealth of knowledge, experience and ability that exists in the export field.

It will be noted, however, except for four items marked KOTRA in the two above lists, the others are work that should be done by the various Ministry offices as indicated in the parenthetical note after each example or specific assignment.

SECTION 2B - OPERATIONS ADVISORY COMMITTEE

FUNCTIONS This Committee was organized in 1962 with twenty members and had only met three times before it was reorganized in 1965 with twenty-four members. The new Committee met only once. All but five of the twenty members are association representatives and only two of those five represent private companies.

OBSERVATIONS AND RECOMMENDATIONS: The KOTRA Operations Advisory Committee is inactive and should be terminated. In its place a Board of Directors should be established to crystallize views on such policy questions, as for example:

1. Participation in world fairs and trade fairs.
2. Public relation methods.
3. Invitations to buying missions to visit Korea.
4. Authorization for sales trips abroad.
5. Government aid to exporters.
6. Distribution of budget funds.
7. Elimination of duplicated activities by the four associations and KOTRA, through mutual agreement as to which organization should handle each activity.

The Board should consist of twenty members with eight businessmen, two each from the Chamber of Commerce of Korea, the Korean Traders Association, the Korean Businessmen's Association, and the National Federation of Small and Medium Industry Cooperatives, and twelve members from the various economic ministries of ROK and from KOTRA. The Executive Directors of each of the four foregoing associations should be invited to the meeting on a non-voting basis.

One of the major reasons for suggesting such a Board of Directors is to develop a closer liaison between KOTRA and the business community and to create more active participation by the business community. Representatives of industry and finance can be mighty helpful in many ways including suggestions for any ideas and new approaches.

The Board should meet monthly on a fixed date and the Directors should receive a prepared agenda with background material for each meeting at least three working days before the date of the meeting.

Subcommittees of businessmen, directors or otherwise, should be established where necessary for specific matters or commodities, with KOTRA being represented on each such subcommittee.

KOTRA's policy is presently determined by an Administrative Group consisting of the President and the Directors. This recommendation would transfer policy determination to this Board of Directors and would provide greater objectivity for such policy determinations.

SECTION 3A - PUBLICATIONS

FUNCTIONS: This Section publishes the following magazines and pamphlets based on data supplied by the Research and other sections:

1. A semi-weekly entitled the "Foreign Market Information" of which six-hundred copies in Korean are distributed primarily to paying subscribers. This publication covers up-to-date foreign market data on selected items giving such information as prices, invitations to bid, foreign country tax systems and trade policies and also cites results obtained by the KOTRA Business Service Department.
2. A monthly entitled "Trade Promotion." One thousand six hundred and fifty copies in Korean are distributed to producers, traders and government agencies. "Trade Promotion" covers trade problems, statistics on exports, export potentials, regional or country taxes and trade policies and trade outlook. It also presents articles on business English giving actual letters used in specific transactions, exporter views and comments, and a question and answer column for exporters.
3. A quarterly called "Korea Trade" which is splendidly prepared. Three thousand copies in English are distributed primarily to overseas importers with some going to Korea Trade Centers, Researchers and Correspondents as well as business associations and government agencies. "Korea Trade" publicizes available export goods, is well illustrated and carries exporter advertisements. It also lists producers and traders. A French edition is issued semi-annually in reduced content.

OBSERVATIONS AND RECOMMENDATIONS: This Section is presently printing a variety of publications but it does not publish a complete directory of exporters and importers. The Republic of China Productivity and Trade Center has had gratifying results from the "Annual Buyers Guide" which it issues. The Korea Traders Association and the Chamber of Commerce of Korea are likewise publishing directories which are similar in most respects. KOTRA has practically all of the necessary information in its

records and it should endeavor to arrange to replace the latter two directories with one "Annual Buyers Guide" which would include the following:

1. An alphabetical list of export products showing traders and producers handling each product.
2. An alphabetical list of traders and producers indicating the products handled by each, the date organized, price range and total produced.
3. A list of commission agents.
4. A list of service organizations such as government agencies, banks, marine insurance companies and shipping agents.
5. A list of business associations stating the functions each performs.
6. A list of diplomatic offices abroad.
7. Korean laws pertaining to imports and exports.
8. A statistical review of Korean exports in the prior year with suitable comments.
9. An index of those who have placed advertisements in the "Annual Buyers Guide."

The number of copies printed should be large enough to cover all those who now receive directories from the Korea Traders Association, the Chamber of Commerce of Korea, and those who receive the "Korea Trade" quarterly.

The "Annual Buyers Guide" should be distributed to foreign importers primarily and also to Korean traders and producers, business associations and government agencies, as well as banks, libraries and diplomatic offices.

A study should be made of the semi-weekly "Foreign Market Information" and the monthly "Trade Promotion" to determine the need for them and their effectiveness, also to determine whether the mailing list should be corrected by deleting some names and adding new ones.

SECTION 3B - PUBLIC RELATIONS ADVISORY COMMITTEE

FUNCTIONS This Committee is comprised of three KOTRA directors, three university professors, four newspapermen, two film men and one radio and television man. It was established in April 1964. The Committee meets for three hours each month and the ten members (excluding the KOTRA directors) are compensated at the rate of 1,000 Won for each meeting attended.

The functions of this Committee are to advise on the copy, layout and illustration of KOTRA's "Korea Trade" quarterly and "Trade Promotion" monthly as well as to advise on film presentations, television and radio programs and other advertising media.

OBSERVATIONS AND RECOMMENDATIONS: Judging by the excellent results achieved, this Committee is very helpful.

SECTION 4 - BUSINESS INFORMATION SERVICE DEPARTMENT

FUNCTIONS: This Department performs the following functions:

1. On receipt of a specific inquiry, it supplies importers with the names of Korean producers and traders on a rotating basis, giving only one or two names at a time in order to avoid too much competition. Preference is given KOTRA members who pay 10,000 Won (\$37) as a membership fee. The Department maintains a card index file of exporters, alphabetically by name, carrying such information as products, capacity, and export dollars earned.
2. It supplies exporters, on receipt of specific inquiries, with the names of prospective importers for stated items at stated prices, and with the policy and procedures required for trade in each foreign country.
3. It arranges area meetings in Korea for businessmen and the local Chamber of Commerce in order to inform them of up-to-date developments and to obtain reactions and ideas for proposal to the ROK government.
4. It holds seminars on foreign market research.
5. It assists in arranging the handling of imports for conversion into finished products for export - a practice called "bonded processing" - and further assists in obtaining a ROKG license which allows duty exemption.

6. It provides exporters with information regarding export licensing, financing and other steps related to exports.
7. It arranges invitations and preparations for Korean trade missions going overseas and for foreign trade missions coming to Korea.
8. It arranges foreign technical training for Korean producers, the cost to be shared by exporters paying about half and USOM paying the other half. Generally, USOM has footed the entire bill at the request of ROKG.
9. It also has dispatched one Korean technician to an advanced country to be taught most modern methods.

OBSERVATIONS AND RECOMMENDATIONS: KOTRA is a government agency and should not give preference to a limited number of producers and traders who pay the nominal membership fee. Instead of recommending KOTRA members on a rotating basis, this department should send as an answer to each inquiry, the pertinent page or pages from the "Buyers Guide" (see Section 3A), and give the inquirer the privilege of selecting whatever names he wishes to contact. It would be a good idea to print an extra supply of these pages so as to have them available.

Many test checks show that correspondence is handled promptly and answered efficiently in suitable business English. Other tasks are well performed also.

SECTION 5 - TRADE INFORMATION SERVICE AND SHIPPING CENTER

TRADE INFORMATION SERVICE FUNCTIONS: This street-floor department was created to accommodate visitors to KOTRA and to answer telephone inquiries by furnishing exporters and importers with the following information:

1. Korean and other foreign country policies and procedures relating to international trade.
2. Commodities available in Korea for export.
3. Procedures and arrangements necessary for specific negotiations.

OBSERVATIONS AND RECOMMENDATIONS: If the inquiries are of a major nature, they are referred to the Research Section and the Business Service Department which supply it with its data. Since Research and Business Service already have the data needed to answer all inquiries, the Trade Information Service should be eliminated.

SHIPPING CENTER FUNCTIONS· This department is located in a street-floor office, shared with Trade Information Service, and makes the following information available to Korean exporters

1. Shipping schedules and cargo space.
2. Maritime requirements, freight costs and marine insurance costs.

The Shipping Center is staffed by one person each from the Korean Marine Corporation, Korea Shipowners Association and the Ministry of Transportation.

OBSERVATIONS AND RECOMMENDATIONS This street-floor office can continue to be housed in KOTRA's building but should function on its own. It does not need KOTRA staff to assist.

SECTION 6 - KOREA EXPORT PROMOTION CENTER FOR SOUTH VIETNAM

FUNCTIONS· This Center was established on July 1, 1965 for the purpose of developing more volume and expediting deliveries on all orders for export to South Vietnam. It performs the following functions·

1. Collects data relative to the South Vietnamese requirements and refers said data to the EPC for South Vietnam. The Export Promotion Center Committee for South Vietnam is headed by the Assistant Minister of Commerce and Industry and includes one representative each from the Ministries of National Defense, Foreign Affairs and the Economic Planning Board, as well as one representative from the rubber, steel products, and cement industries and the Army Supply Office. USOM cooperates with this Center.
2. Assists producers in the handling of invitations to bid.
3. Holds meetings with producers, traders and associations to review production potentials available for the South Vietnam market and also endeavors to develop business in products not now being sold to that country.
4. Publishes all South Vietnam data for distribution to traders, producers and business organizations.

OBSERVATIONS AND RECOMMENDATIONS In addition to KOTRA, the Ministry of Commerce and Industry, the Korean Embassy in Saigon and special missions are all endeavoring to serve Vietnam. Many businessmen are likewise in the

field seeking orders. KOTRA should ask MCI to coordinate the efforts of the four entities mentioned above into one agency. Too many cooks may spoil the broth.

It should be stated, however, that there isn't even justification for one special unit in KOTRA to deal with South Vietnam. If there were, and if potential sales were the criterion, special units should be created for the U.S.A., Japan and other areas.

SECTION 7 - EXHIBIT SERVICE

FUNCTIONS. This Section acquires Korean export samples for various displays through donation, consignment on memorandum, or purchase. It also purchases, through the Overseas Network, competitive products to be displayed alongside the similar Korean ones for comparison.

These samples are used to establish exhibits in the main office of KOTRA in Seoul, the Pusan branch, the Overseas Network and in twenty Korean ambassadorial or consular offices. Samples sent to the diplomatic offices abroad are for use by commercial attaches who are asked, in turn, to report any interest or sales activity to the Ministry of Foreign Affairs. However, KOTRA has not received any reports or inquiries whatsoever through these channels.

OBSERVATIONS AND RECOMMENDATIONS: In keeping with the recommendation in Section 9A, the Exhibit Service work for the Seoul exhibit would be reduced by about 80 percent. A further reduction in this work will arise from the closing of the Pusan exhibit. In Pusan the Provincial Office and the local Chamber of Commerce have created an exhibit of their own which has been reported as being quite satisfactory.

This Section should discontinue sending sample products to diplomatic offices abroad except upon specific request by such offices, channeled, if need be, through the Ministry of Foreign Affairs.

Sections 7 through 11 are part of what is now called the "Exhibition Department." To reflect the operations more adequately, the name should be changed to "Sales Promotion Department."

SECTION 8 - INTERNATIONAL FAIRS AND TRADE EXHIBITS

FUNCTIONS. This Section plans and executes arrangements for participation in international fairs and international trade exhibits. It is important

to note that out of all KOTRA's expenditures for 1963 and 1964 and the amount budgeted for 1965, totalling \$3,299,000, the sum of \$1,058,000 or 32 percent was spent or budgeted for the New York World's Fair. These figures are based on the rate of exchange prevailing in each of the three years. It is also important to note that \$680,000, more than 60 percent of the New York World's Fair costs, was spent on the construction of the Korean pavillion. An additional sum will have to be spent to cover the demolition of this pavillion.

For 1966 \$242,000 is budgeted for the Canadian Universal and International Exhibit of 1967. This equals over 17 percent of the revised budget request by KOTRA.

It has been reported that participation in both of the above mentioned fairs was undertaken at the behest of the Republic of Korea Government and that the funds used were extra-budgetary and not part of KOTRA's regular budget.

The sales reported as having been made directly by the New York World's Fair in 1964 were \$165,000 in the restaurant, \$342,000 in consumer's retail goods, and \$130,000 in contracts, for a total of \$637,000. For the first seven months ending July 31, 1965, sales reported were \$58,000 in the restaurant and \$179,000 in consumer's retail goods for a total of \$237,000, which excludes contracts obtained. That figure is not available. Compared with the first seven months in 1964, the 1965 total of \$237,000 for restaurant and retail sales was approximately \$40,000 less. There is no way of determining with any reasonable exactness the amount of the additional contracts obtained by the New York Korean Trade Center attributable to the Fair, although it is recognized that some part attributable to the Fair cleared through the local Trade Center.

This Section also handled participation in short-term trade fairs and expositions such as the Chicago Trade Fair, the West Berlin Overseas Import Exhibition, and the London Handicraft Exhibition. Plans have been approved also to participate in the First Asian International Trade Fair in 1966 and the seventh Osaka International Trade Fair in 1966. The cost of such participation in trade fairs has been held at about \$13,000 average for each.

OBSERVATIONS AND RECOMMENDATIONS: The \$1,058,000 spent for the New York World's Fair could have been used to infinitely better advantage in direct business getting activities (see Section 10), in strengthening the Overseas Network (see Section 13) and in several other important ways. Undoubtedly, the same conclusion is applicable to the forthcoming Canadian Universal and International Exhibition. If it is still possible to cancel the arrangements to participate in the Canadian exhibition, it would be a wise move.

It is a reasonable assumption that only a small percentage of those who visited the New York World's Fair reached the Korean pavillion. Probably 90 percent of the visitors were New Yorkers and their families. It is

equally likely that the number of prospective importers who visited this Fair was small. The enormous cost certainly cannot be justified either on the basis of business obtained or of long-range goodwill development.

Approximately half the countries in the world did not participate. The Korean pavillion was dwarfed in comparison with the big American industrial exhibits such as General Motors, Ford, IBM, General Electric and others. Visitors stood in waiting lines as much as two hours to see these exhibits.

At the very most, KOTRA should rent an information booth, manned by two attendants who can answer inquiries and hand out literature. Such a booth could probably be rented in a prime location where it would enjoy good traffic. The cost would be relatively insignificant compared to that of a specially constructed pavillion.

Otherwise, the only type of international exhibits in which KOTRA should participate for the foreseeable future is general trade exhibits which are specifically designed to attract importing buyers and in which the participation cost is a nominal sum - perhaps as little as \$10,000 each. Even these should not be contracted for until and unless enough businesses have agreed to participate by renting space which should be priced at a heavily discounted figure, as low as 25 percent of actual cost.

SECTION 9A - EXPORT DISPLAY CENTER

FUNCTIONS: This Section sets up and maintains a display of Korean products and foreign rival items in the main office building of KOTRA in Seoul. Samples of the rival items are bought by Korea Trade Centers overseas. The exhibit in Seoul contains about 1,200 Korean commodities from 170 industries, and over 600 rival products. The staff of this Section consists of six guides who are supposed to know the manufacturer, location, and approximate prices of the products on display. None of them speaks English. The manager of the display reports an average of 250 visitors per day to the exhibit, but frequent observation indicates far fewer visitors. It would be surprising if the average is even 20 per day. Most of these are native curiosity seekers.

Other than the Export Display Center in Seoul, the remainder of displays are each handled by overseas Korea Trade Centers, diplomatic offices and the Pusan branch. The Pusan display also includes rival products as well as Korean.

OBSERVATIONS AND RECOMMENDATIONS: The KOTRA display in Seoul "wastes its sweetness on the desert air" because it is visited by an insignificant number of exporters and very few importers. In any event, it is much larger than it need be in order to accomplish its principal objective, namely, to give visitors a cross-section view of some of KOTRA's outstanding export products. It should be reduced to 300 items at most and then it can be housed in less than one floor together with the consumer products and handicrafts. (See Section 11.) Anyway, there is no purpose in attempting to show 1200 items when visitors are interested in only a limited number of products. Rival products can be eliminated entirely.

They are the most costly items to present. Certainly there is no need to show them to foreign importers. To the extent that Korean exporters want them, they can be obtained on specific request at the expense of the exporter requesting them. The space that is freed can be used for other KOTRA purposes such as an expansion of the Trade Library space, or it can be rented to others.

The Pusan exhibit which also includes some rival products should be discontinued completely since it is reported to me that the provincial office and the local Chamber of Commerce are maintaining a very satisfactory exhibit of their own.

Exporters here originally were greatly interested in the Seoul exhibit, but the novelty soon wore off and in recent months such visitors have been at a bare minimum.

Either before or after a visit to the exhibit, foreign importers should be put in touch with producers or traders directly, giving them the choice from the "Annual Buyers Guide" of those that they want to see. Export traders or producers cannot only show specific items more advantageously in their own showrooms, but they can also give the potential buyers up-to-date and accurate information such as price and delivery schedules. Orders can be placed on the spot.

If the exhibit is to be maintained even in reduced form, it must have some real life breathed into it. The following are the essential steps that should be taken:

1. Fewer attendants will be needed in the smaller exhibits but those doing this job must all speak English well and, if possible, other foreign languages. These attendants should be qualified and trained people, fully conversant with the items displayed, eager to show them, and capable of answering pertinent questions.
2. A top-grade manager with a flare for selling must be engaged.
3. A special day should be established during each week of the year for a related group of commodities. Invitations should be issued to all who are interested in such commodities, including an announcement that a specific qualified expert will be present on that day to discuss the particular products. The agenda could very well include a luncheon gathering. If each such day were properly arranged and publicized, a substantial attendance could be expected.
4. Brochures or leaflets descriptive of Korean exports should be placed in the mail boxes of all foreign registrants at whatever hotels they might be staying - such as Walker Hill, the Bando and the Chosun. An attractive, well placarded booth should be set up in the lobby of each of these hotels and should be provided with a direct phone to KOTRA for the use of those interested in importing Korean products. A similar booth should be permanently placed at Kimpo Airport. The telephone at KOTRA must be constantly manned by an English speaking person. It would be a good idea also to put in every room of the above mentioned hotels a contents list of Korean export products on

a permanent basis. This should be framed and hung on the wall or placed under the glass tops on the dressers. In addition to the lists of products, it should also urge a visit to the Bando-Chosun Arcade.

5. The Immigration Department can determine from the forms filled in by foreign visitors which of them are buyers. The cooperation of newspaper men should be sought in order to have them print such names daily under the caption "Arrival of Buyers" for the benefit of exporters.
6. The guides at the Taiwan Export Display Center are attractive, well informed and speak English well. Incidentally, the exhibitors in Taiwan pay for the display of their particular products. Space is rented to them in varying sizes and for varying periods so that all who wish to do so have an opportunity to display their products. It should be possible, ultimately, for KOTRA to charge a similar type of rental fee.
7. Samples and prices should be kept as up-to-date as possible and should at no time include products not presently being made. This is definitely not the situation at present.
8. Windows should be placed in the wall of the building so that transients can be attracted to visit the display.
9. The lighting needs to be much brighter so that the exhibit can be more easily seen.
10. The placards describing the display items should be in much larger and bolder type.
11. Commodities should be arranged in a more orderly way so that they are shown in related groups.
12. Background music should be softened. It is at times so loud that it is difficult for some people to hear what is being said.
13. Korean producers whose samples are exhibited should be required to furnish a brochure describing their products so that such brochures can be given to interested parties.

SECTION 9B - PACKAGING AND DESIGN COMMITTEES

FUNCTIONS: The Packaging Committee of ten consists of representatives of seven private companies, one association, one government-owned corporation and one educator. This Committee is studying the types of packing material that should be used for various products with a view toward having their specifications adopted by the Ministry of Commerce and Industry as standards to be used by all exporters. They are scheduled to meet nine times in six months for the second half of 1965. Thus far they have completed review on fourteen commodities and still have sixty-eight to cover.

Plans call for an annual presentation of packaging standards in the Export Display Center with an expert on hand to lecture to the exporters attending.

OBSERVATIONS AND RECOMMENDATIONS: This Committee should meet as frequently as possible so that the remaining sixty-eight areas or commodities can be covered as speedily as possible. Several association representatives emphasized that packaging and design are urgent problems and that KOTRA should speed up its efforts.

The Packaging Committee should deal also with consumer end product packaging so as to provide easy display for retail sales and the ability to ship by the dozen, gross, or whatever the quantity may be, in the smallest cubic content. Experts competent to deal with one or more related commodities should be invited from each specific field to assist.

FUNCTIONS: The Design Committee consists of seven educators and one architect. This Committee last met in July 1964 and is tentatively scheduled to meet next in September 1965. Its function is to recommend appropriate colors, designs for outer packaging, for consumer product packaging and for label content that will conform with the foreign laws of the more important countries. This Committee can be regarded, unfortunately, as virtually inactive despite the fact that its function is an important one.

OBSERVATIONS AND RECOMMENDATIONS: This Committee should be reactivated in an intensive and meaningful way. The composition of the Committee should be changed to include both experts and industry representatives in each of the fields under discussion.

SECTION 10 - PUBLIC RELATIONS AND ADVERTISING

FUNCTIONS: To promote the development of exports as follows:

1. Through radio, newspaper and other media of advertising.
2. Through films. In 1964 two films were prepared for the New York World's Fair: one, a thirty-minute film entitled "Korean Progress," and another forty-minute film, "Korea at a Glance." Another film was prepared for domestic use, a ten-minute presentation called "The Way to Export." This latter film has been shown in movie houses throughout Korea.
3. Through collaboration with the Public Relations Advisory Committee.

4. By distribution of all regular periodicals and some of the special releases prepared by the Publications Section.
5. By printing other special pamphlets, brochures and catalogues and distributing them.
6. By solicitation of advertisements from traders for the "Korea Trade" quarterly.

The 1965 advertising budget of \$19,608 includes \$6,930 to be spent mostly for newspaper advertisements in Korea, and \$12,678 for the Overseas Network, likewise to be spent mostly for newspaper advertisements. This excludes \$21,607 allocated for advertising at the New York World's Fair.

OBSERVATIONS AND RECOMMENDATIONS.

1. Advertising in Korea and overseas should be discontinued. Placing a small amount of advertising accomplishes little, satisfies no one and creates dissatisfaction on the part of those favored as well as those excluded. Direct mail to exporters is the alternative.
2. It is well known that advertising, in order to be productive, must be frequent and repetitive. The overseas budget of \$12,700 for advertising in 1965 is not enough to cover even one city, much less one country, not to speak of the eight countries where KOTRA has Trade Centers. The 1965 budget allows anywhere from \$960 to \$2,040 per annum, or an average of \$1,500 for each of the eight overseas branches. This expenditure is wasted and should be discontinued in 1966.
- 3a. Engage a public relations company in the United States to send a mailing each month to the presidents of a selected list of approximately 10,000 importers, pounding away at the theme that Korean commodities are excellent in quality and extremely low priced, and inviting inquiries or visits to the Korea Trade Centers, or to Korea. This would direct KOTRA's advertising ammunition in the United States at a target of 10,000 buyers rather than dissipate it with negligible effect on 195,000,000 Americans. KOTRA should assign one knowledgeable representative to supply changing data to the public relations office. It would be advisable to station such a person in the public relations office.
- b. The public relations company should also issue monthly press releases to approximately 500 prominent dailies, trade papers and magazines throughout the United States as well as to the Associated Press and United Press International. There is adequate material to insure that, in competent hands, these releases would be newsworthy and would include some human interest stories as well as Korean export success stories. Properly drafted, these releases would be welcomed

by publications generally and would be printed in whole or in part at least. For evident reasons, the United States has been suggested as the first country in which to attempt this program but it can be duplicated in other countries as soon as it proves to be a successful approach.

- c. The public relations company should also arrange for press conferences for visiting Korean VIP's or for their appearance on television or for other types of publicity.
- d. The cost of this entire program with many important additional features can be limited to \$36,000 per annum plus \$6,600 for a KOTRA representative to be stationed in the office of the public relations firm. In fact a proposal to that effect has been received from a well known public relations firm and is now being referred to KOTRA. Other public relations firms have been asked to make their proposals. It should be clearly understood that this report recommends no special firm.

This estimate includes all public relations fees and all out-of-pocket costs such as a visit to Korea for briefing.

- 4a. With the aid of a public relations firm, invite five key journalists, whose columns are syndicated for publication in many countries, to visit Korea for one week on a first-class, all-expenses-paid trip. Take them on a tour to important plants and supply them with material for several columns. Estimated cost - \$12,500.
- b. Under the same auspices invite the President of the American "Purchasing Agents Association" on a one-week, fully-paid, first-class trip including accommodations in Korea. If done properly the report which the President sends to his members will be very effective. Estimated cost - \$2,500.
- c. It is also recommended that, with the aid of a public relations company, 25 to 30 senior merchandise men and/or buyers of outstandingly large companies be invited to visit Korea first-class on a half-expense paid mission. Since Korea has so much to offer in value, there is no doubt such a buying mission would result in a substantial increase in export volume, part of which would be experienced at the very time the mission paid its visit here. KOTRA would have to organize producer-trader representatives properly in advance to take advantage of the presence of these large-scale operators. Estimated cost - \$35,000.

The total cost of these programs can be limited to \$50,000 per annum.

The total cost of the above Recommendations 3 and 4 would be \$92,600 per annum, less \$19,608 saved on advertising

- 5. A greater effort must be made to encourage Korean traders and producers to make trips abroad on their own for the

solicitation of business and, more importantly, for hiring sales agents in the countries they visit. Nothing can be more productive than such trips, not only for making sales but also for doing research on the type of commodities wanted abroad. No one can do this better than a manufacturer who knows his products and his potential. The Government should do everything possible to encourage this kind of missionary sales and research work.

The number of steps to be taken by a manufacturer who wishes to go on a legitimate sales trip, the number of government agencies he must see and the number of forms he is required to fill out should be sharply reduced. Also, the long amount of time required for getting approval should be sharply shortened. A subcommittee of EPSC has been working on this problem and hopefully will produce the necessary specific recommendations.

6. If films are to have value they must be much shorter. They should be shown to interested groups both at home and overseas.
7. KOTRA's Public Relations Section Chief does not speak English. Without in any way disparaging his competence, it would seem that this particular Section should be headed by someone who speaks English fluently. In fact every worker in KOTRA should be able to read, write and speak English. See General Recommendations on Page 39.

SECTION 11 - HANDICRAFT CENTER

FUNCTIONS: The function of this new Center, first talked about in recent months, would be to create both an exhibit and an adjacent retail store. The retail store is to be rented to various private producers of home and factory produced handicrafts who would operate such a store.

The tentative budget request has been set at \$11,000. At a meeting held July 30, representatives of the Ministry of Commerce and Industry, Ministry of Transportation, Korea Tourist Service, Korean Express Company, Ltd., National Agricultural Cooperatives Federation, and four KOTRA Section Chiefs participated. The meeting endeavored to fix a location, having in mind the Bando-Chosun Arcade, the Chosun Hotel or the Bando Hotel. These are all government-owned enterprises, but are presently not available because of existing leases. It was therefore left to the Ministry of Commerce and Industry and the Ministry of Transportation to select another location.

The object of this Center is to attract tourists, whose purchases normally favor handicrafts, and foreign importers. The Center intends to establish a design room and to hire an expert designer in handicrafts to guide producers.

OBSERVATIONS AND RECOMMENDATIONS: This plan should be limited to a highly selective addition to the Export Display Center in Seoul. The retail phase of it is now well taken care of by the shops in the Bando Chosen-Arcade.

SECTION 12 - EXPORT TRAINING SCHOOL

FUNCTIONS: This Center was established on March 22, 1965 to offer courses covering a curriculum of essential topics for the handling of international trade. Presently, a three-week course is offered twelve times yearly. The classes run for four hours per day, with a ten-minute break at the end of each hour, for seventeen days (total 68 hours). There is also an optional Business English course of one hour per day for fifteen days (total 15 hours). The Center contemplates making this a two-month course later on.

The curriculum seems quite adequate in the subjects covered and it includes a marketing survey of the United States, Japan, Southeast Asia and Western Europe.

Presently, thirty-five students are accepted into the course - twenty employees of manufacturing and exporting companies, ten government employees and five of KOTRA's personnel. In September the enrollment of students from manufacturing and exporting companies will be increased to twenty-five, making a total of forty. The staff of eighteen instructors includes one professor from Seoul National University, who treats with general introduction to and outlines of international trade, and others from KOTRA, the Korean Traders Association, the Bank of Korea, the Ministry of Finance, the Chamber of Commerce of Korea, the Marine Insurance Company, four industrial or trading companies and three representatives of the Ministry of Commerce and Industry who were former commercial attaches stationed in Formosa, the United States and West Germany.

Textbooks are prepared by the instructors and provided to the students for home study.

A tuition fee of ₩2,000 is charged each of the twenty students from industry. No fee is charged to KOTRA and government employees. The income is almost sufficient to pay for all teaching charges, but it doesn't cover any part of the textbook printing costs.

A seminar is held on the evening of the seventeenth day of the course.

A graduation certificate is presented to each student completing the course; however, it is based on attendance record only.

OBSERVATIONS AND RECOMMENDATIONS: This Section is doing an excellent job of introducing its students to all the facets of international trade. The present enrollment of 35 students in one class should be increased, as planned, as soon as possible. This work should be left in the hands of KOTRA and not transferred to one of the universities as has been suggested, because this is a practical training course for men at work in the field of international trade. It would be wise, however, to encourage as many universities as possible to introduce academic courses for undergraduates in this field which is destined to play a constantly growing role in the Korean economy.

The following changes in present methods are recommended:

1. It would be far better pedagogy to break up the four-hour daily session on one subject by one instructor into two hours for each of two instructors. While this change may present some slight difficulty in getting an instructor to give up time on each of two afternoons rather than on one, it would seem that this could surely be arranged. Even though numerous visits to observe the classes in session revealed that the students were attentive and alert for the full four-hour session on one subject, the change suggested above would be very helpful.
2. Instructors should allow some time during each session for questions from students and to ask questions of the students rather than merely lecture to them. This again is elementary pedagogy. A good alternative to the question period would be an occasional ten to fifteen-minute written quiz.
3. In order to earn graduation certificates, each student should be asked to prepare a written case study with respect to the exportation of any product he may select. The case study should cover all of the steps required to initiate and conclude the exportation of an order. These papers need not be graded except on a passing or failing basis. There is no doubt that the knowledge that such an examination would be the basis for a graduation certificate, would spur the students to greater efforts.
4. Qualified USOM experts, foreign commercial attaches and foreign buyers as well as successful Korean exporters should be invited to lecture to the classes. This would be a good addition to the curriculum.

SECTION 13 - OVERSEAS KOREA TRADE CENTERS

FUNCTIONS The function of the Overseas Network is to perform research and promote sales abroad. There are eight Korea Trade Centers, three researchers and ten correspondents in a total of 21 different cities and in approximately nineteen countries or areas. The total budget in 1965 was \$333,000.

The staffs are woefully inadequate to handle the varied duties such as research, exhibit of samples, correspondence, sales promotion with visiting potential buyers and sales solicitation through personal calls on such potential buyers. They also assist the Korean traders who travel abroad. Sample displays in the KTC's are not well kept at all. In one Center they are simply piled in a back room. Home office supervision presently rests with two different department heads excluding the Budgetary Management Department. By the same token, the foreign headquarters are responsible to two office executives as well as to the Budgetary Management Department.

OBSERVATIONS AND RECOMMENDATIONS:

1. Strengthen seven of the present eight Korea Trade Centers, close one and establish five new Centers for a total of twelve. Far more business is inspired, created and developed overseas than at home. Provide regional supervision and reasonable other minimum needs. To accomplish this, the budget should be increased from the tentative 1966 figure of \$434,000 to \$533,000 for the Overseas Network.

a. The recommendation by the Export Promotion Subcommittee, contained in the minutes of its April 27th meeting, that six additional Korea Trade Centers be established is heartily endorsed, except that five new Centers will suffice for the present. This recommendation is subject, however, to the availability of competent staff and to whether Korean productive capacity is adequate to handle the increased volume expected. The five new Centers are recommended for:

- (1) Chicago, Midwest United States
- (2) Montreal, Canada
- (3) Hamburg or Frankfurt, West Germany
- (4) London, England
- (5) Milan, Italy

Advantage can be taken of the preliminary footholds already existing in some of the above countries by virtue of KOTRA's researchers and correspondents presently located in them.

For obvious reasons, the Korea Trade Center in Djakarta should be closed. These reasons include the fact that contracts secured in that office for the first six months of 1965 totalled only \$31,000 against an annual sales quota of \$300,000 and annual budgeted costs of \$29,000. Indonesia has become less attractive as an import market and most likely that trend will continue in the foreseeable future.

b. In each region or country where the Overseas Network has Trade Centers, one of the managers should be designated to tour the Centers in his region or country twice a year, spending approximately one week in each location, to check on the operations, personnel

and expenditures to help during the visits in specific research projects and in sales promotion. This type of inspection visit will inspire and give direction to each Korea Trade Center. The cost for such personal supervision is fully warranted considering the substantial expenditures required to run these Centers.

- c. Salaries commensurate with overseas cost of living should be paid to the managers and the staff where necessary in order to improve the calibre of these staffs. It should be noted that in one city where the KOTRA manager is paid \$6,300 per annum, the Jetro manager receives \$15,000.

While KOTRA cannot match Jetro, it should at least move in the proper direction so as to attract people with greater business competence and sales ability. The present Korea Trade Centers do not reflect well on Korea.

- d. Staffs must be large enough to carry out the workload properly. They are now much too small to perform all necessary functions. Each Korea Trade Center should add to its staff at least one native well qualified in the field of foreign trade. The Korea Trade Centers should not be expected to meet KOTRA or government officials at the airports or elsewhere. A trip to and from the airport can easily consume half a day and they do not have that kind of time to spare if their designated tasks are to be properly fulfilled.
- e. Provision is required for larger general expense costs including a reasonable provision for entertaining buyers only, not other visiting dignitaries.
- f. The expense provision should allow for the proper maintenance of an exhibit. This may require hiring a display expert from time to time. Samples exhibited in these Centers need not cover the whole field. They should be chosen on a very selective basis and constitute the best and most important of the products that Korea exports.

OTHER OBSERVATIONS AND RECOMMENDATIONS:

- 2. A written statement of policies and program to govern and guide the entire operations of the Overseas Network should be provided each Korea Trade Center manager, each correspondent and each researcher.
- 3. Correspondence from Korea to the Overseas Network should be channeled through one existing department head in KOTRA who would then be able to screen it and gauge the workload given to each branch of the Network and its overall performance. ROKG's ministries should be asked to channel their requests for information through KOTRA. The same would apply to private businesses to the extent that they can be encouraged to do so. The Overseas Network offices should be instructed

to send to KOTRA copies of all inquiries that come to them from other sources, together with copies of their replies. Discontinue sales quotas for K.T. Centers. There is no dependable way of verifying what business originates through the Centers. Performance should be measured by quality and volume of correspondence and of research.

To the extent possible, KOTRA should answer inquiries without referring them overseas. The KOTRA man in charge of corresponding with the overseas offices should be able to gauge when the workload becomes too high for any particular office and take suitable steps to correct the situation. It is urged that Overseas Network be responsible to only one man in KOTRA for all research and promotion activities.

4. The entire staff in each branch must be able to talk the native tongue fluently. In Tokyo it is necessary that the manager and his staff have a command of English as well as Japanese so that American buyers visiting Japan may be contacted and induced to add Korea to their itinerary.

SECTION 14 - GENERAL AFFAIRS SECTION

FUNCTIONS: This Section handles all normal administrative duties such as office management; personnel records; employee fringe benefits, job descriptions for engaging and training of new employees and used as a guide for decisions respecting employees; purchases and records of furniture, fixtures and supplies; maintenance of KOTRA's building and offices, and incoming and outgoing mail.

OBSERVATIONS AND RECOMMENDATIONS: Some unnecessary steps are taken in certain activities of this Section. Considerable time could be saved if the procedures were simplified. One example of this is described in the next paragraph.

Requisitions for purchases presently pass through four hands--a staff member, the Section Chief, the Budgetary Management Office and the Director. If the amount exceeds more than \$100 thousand, it must also be approved by the President. When a requisition is approved, an order is prepared and it too has to be processed in the same way. It would seem that the requisition and order form could be combined into one prepared by a member of the staff, and the approval by the Section Chief and the Budgetary Management Office should suffice without a Director's approval, except where the amount exceeds \$100 thousand and the President's approval is required. Payments now pass through the same four hands and in addition are approved by the Auditor. Here again the Director's approval should not be required.

A complete study should be made of all other procedures in the General Affairs Section, and perhaps in other Sections, to determine where simpler methods can be introduced.

SECTION 15 - ACCOUNTING SECTION

FUNCTIONS: This Section handles all bookkeeping, all cash transactions, and all filing operations pertaining thereto except those discharged by the Budgetary Management Office.

OBSERVATIONS AND RECOMMENDATIONS: There is no reason for this to be separate from the Budgetary Management Office. Their duties are closely related and the two departments should become one as they formerly were.

SECTION 16 - TRADE LIBRARY

FUNCTIONS: The function of the Trade Library is to collect all books and trade reports containing the economic data required, to catalogue this material and to keep lending records. Charges are made to KOTRA employees if the books or material loaned are not returned.

OBSERVATIONS AND RECOMMENDATIONS: The Trade Library serves an important function and it should be properly maintained. The books and other papers are not presently kept in as orderly a state as would be desirable. Lack of adequate space is the reason.

A better use of the present space might help somewhat but not sufficiently. Provision must be made for more space for proper maintenance of the material now on hand and a further allowance is required for books and reports that will be accumulated henceforth. It would also be desirable to provide a small reading room so that visitors can comfortably examine the data they want.

It is suggested that a visit be paid to the USOM library, Room 202C, to observe the nature and arrangement of the book shelves there. An investment in a similar type of steel shelves would be desirable.

SECTION 17A - BUDGET FOR 1966

As background for your information, expenditures by KOTRA since inception were:

	<u>Won</u>	<u>Dollars</u>	<u>Exchange Rate</u>
1962	₩ 39,533,305	\$ 304,102	₩130 to \$1
1963	156,445,927	1,203,430	₩130 to \$1
1964	193,918,226	1,004,757	₩193 to \$1 (Avg.) (Range ₩130 - ₩57)
1965 Budget	<u>278,005,400</u>	<u>1,081,733</u>	₩250 to \$1
TOTAL	₩667,902,858	\$3,604,022	

BUDGET: For 1966 request was made for a budget of approximately ₩445,000,000 or slightly more than \$1,650,000. This has now been tentatively revised and stands at \$1,380,000 (₩372,740).

OBSERVATIONS AND RECOMMENDATIONS: It is recommended that the budget for 1966 be reset at \$1,593,982. This larger budget, if granted, should prove to be one of the most worthwhile and productive expenditures that could be made for speeding up the Korean economy at an even greater rate than heretofore. The recommendations are based on what is regarded as minimum needs.

There follows a chart showing the original 1965 budget, the budget requested for 1966, KOTRA's revised tentative figures for 1966 and an estimate of the total extra funds needed to do a satisfactory job. Recommendations for additions to and reductions from the revised tentative budget follow:

BUDGET

Section	Reductions	Recommended	
		Additions	
2A EPC Secretariat	\$ 10,141		
7,8,9A Seoul, Pusan Exhibits and Exhibit Service	20,000		
10 Advertising	45,023		
10 Public Relations and Sales Promotion		\$ 92,600	
13 Overseas Network		212,250	
7,9A Pusan Exhibit	3,500		
11 Handicraft	12,725		
	\$ 91,389	\$ 304,850	Total Add.
		91,389	Total Red.
		\$ 213,461	Net Inc.
			Recommended
		\$1,380,521	Tentative
			Revised Bud.
		\$1,593,082	Total

The reasons for the suggested changes are stated in each relevant section and are based partly on information supplied by the Budgetary Management Office and partly on reasonable estimates. The budget items that are not listed above have not been reviewed in detail but seem reasonable. It should be pointed out, however, that there has been no attempt to estimate additional costs of some items such as the "Annual Buyers Guide," a Director of Merchandising, or a better pay level for certain KOTRA employees; nor has there been any attempt to estimate certain savings such as a reduction of somewhere between 20 and 30 members of the staff. If the recommendation made under Section 8 - International Fairs with reference to the Canadian Fair can be adopted, the \$240,000 tentatively set for that activity could be saved. In any event the policy of non-participation in International Fairs will result in a healthy saving in subsequent years.

KOTRA BUDGET

NOTE Parenthetical figures are in dollars

	1965 Budget \$1 per ₩257	1966 Requested Budget \$1 per ₩270	1966 Latest Tentative Budget \$1 per ₩270	Additions Recommended for 1966 \$1 per ₩270	Comments on "Latest Tentative" 1966 Budget
Researching	(\$ 38,806) ₩ 9,973,100	(\$ 61,489) ₩16,602,100	(\$ 36,979) ₩ 9,984,300		
Publication	(46,662) 11,992,300	(85,185) 23,000,000	(60,626) 16,369,000		
Export Promotion Com Secretariat	(17,438) 4,481,600	(17,386) 4,694,200	(14,854) 4,010,600	(\$ - 10,141) ₩-2,738,070	
Business Information Service	(47,788) 12,281,500	(76,060) 20,536,400	(59,440) 16,048,900		
Exhibits and Trade Fairs	(102,915) 26,449,100	(156,679) 42,303,300	(121,036) 32,679,600	(- 20,000) - 5,400,000	
Advertising	(29,599) 7,607,600	(67,797) 18,305,100	(45,023) 12,156,300	(- 45,023) -12,156,300	
Overseas	(13,844) 3,558,000	(32,570) 8,793,800	(21,533) 5,813,800		
Domestic	(15,757) 4,049,600	(35,227) 9,511,300	(23,491) 6,342,500		
Public Relations and Sales Promotion				(92,600) 25,002,000	
Overseas Network	(326,623) 83,942,100	(533,227) 143,971,500	(433,913) 117,156,600	(212,250) 57,307,500	Korea Trade Centers, Re- searchers, Correspondents
Export School		(15,963) 4,310,000	(19,399) 5,237,900		Paid in 1965 from Reserve Fund
Pusan Office	(15,752) 4,048,300	(29,037) 7,840,100	(19,315) 5,215,100	(- 3,500) - 954,000	
Handicraft Center			(12,725) 3,435,700	(-12,725) - 3,435,700	
Vietnam Center			(17,754) 4,793,700		Paid in 1965 from Reserve Fund
SUB-TOTAL	(625,583) <u>160,775,000</u>	(1,042,825) <u>281,562,700</u>	(841,065) <u>227,087,700</u>		
International Fairs	(220,029) 56,547,600	(14,477) 3,908,900	(14,477) 3,908,900		New York Fair
		(242,714) 65,532,900	(242,714) 65,532,900		Canada Fair
SUB-TOTAL	(220,029) <u>56,547,600</u>	(257,192) <u>69,441,800</u>	(257,192) <u>69,441,800</u>		
Salaries	(75,332) 19,360,300	(92,066) 24,857,700	(80,359) 21,697,000		
Operations	(75,005) 19,276,400	(121,941) 32,924,100	(102,982) 27,805,200		
Reserve Fund	(19,445) 5,000,000	(37,035) 10,000,000	(25,925) 7,000,000		
Investments (Fixed Assets)	(66,315) <u>17,046,100</u>	(99,360) <u>26,827,200</u>	(72,996) <u>19,708,900</u>		
GRAND TOTAL	(\$1,081,733) <u>₩278,005,400</u>	(\$1,650,420) <u>₩445,613,500</u>	(\$1,380,521) <u>₩372,740,600</u>	(\$ 213,461) <u>₩57,634,470</u>	
TOTAL RECOMMENDED				(\$1,593,982) ₩430,375,070	

SECTION 17B - BUDGETARY MANAGEMENT OFFICE

FUNCTIONS: The Budgetary Management Office formulates the budget by departments and controls its execution so as to insure no expenditures in excess of the amount budgeted. It performs a quarterly review of operations for the purpose of improving working procedures. It controls payments to the Overseas Network, which consists of Korea Trade Centers, Researchers and Correspondents; and prepares an annual report of all its activities.

OBSERVATIONS AND RECOMMENDATIONS: There is no reason for this to be separate from the Accounting Office. Their duties are closely related and the two departments should become one as they formerly were.

SECTION 18 - AUDITOR

FUNCTIONS: This Section audits all accounts and payments so as to ascertain that they are proper and supported by the necessary documents.

OBSERVATIONS AND RECOMMENDATIONS: KOTRA should retain an independent Certified Public Accountant to audit the accounts on a quarterly basis.

SUMMARY OF SPECIFIC RECOMMENDATIONS

These recommendations are made in the order of their importance. The first group deals mainly with overseas activities and the second group is headed "Domestic Activities."

SECTION 8 - INTERNATIONAL FAIRS AND TRADE FAIRS: Discontinue participation in World Fairs. If anything, limit participation to an attractive booth in a prominent location. Participate in Trade Fairs when assured of actual interest on the part of enough Korean producers.

SECTION 9A - EXPORT DISPLAY CENTER: Exporters who visit this Seoul exhibit are very limited in number and foreign importers even more so. Such importers should be taken or sent to showrooms maintained by sellers.

Eliminate the Pusan exhibit completely.

All rival items should be eliminated and Korean products reduced to 300 on a highly selective basis. This reduced display, together with consumer products and handicrafts, can be housed in less than one-half of the present space that is used. Put in the hands of all visiting buyers a condensed list of Korean export products. Publish "Arrival of Buyers" in the daily press.

SECTION 7 - EXHIBIT SERVICE. With the elimination of the Pusan exhibit and the sizeable reduction of the exhibit in KOTRA's Seoul headquarters, the staff of the Exhibit Service can be substantially reduced.

SECTION 10 - PUBLIC RELATIONS AND ADVERTISING:

- (a) Discontinue all advertising in Korea.
- (b) Discontinue all advertising overseas.
- (c) Engage a public relations firm in the U.S.A. to promote Korea and its products through monthly direct mail to 10,000 importers, through monthly press releases, press conferences, and T.V. or radio appearances for VIP Koreans visiting the U.S.A.
- (d) On separate occasions, invite five journalists and the president of the Purchasing Agents Association of America on a first-class all-expense-paid visit to Korea. Also, invite 25 to 30 senior merchandising men or buyers of outstandingly large companies to visit Korea on a first-class, half-paid-expense trip.
- (e) In every way possible, encourage exporters to make trips overseas. Simplify the multitudinous steps now needed to get approval for such highly desirable trips.

SECTION 13 - OVERSEAS KOREAN TRADE CENTERS, RESEARCHERS AND CORRESPONDENTS:

- (a) Open five new KTC's and close the one in Djakarta. Most export selling originates overseas.
- (b) Arrange for semi-annual visits and regional supervision of all KTC's by the manager of one KTC in each region.
- (c) Pay KTC managers a salary commensurate with their local cost of living in order to improve their calibre.
- (d) Increase the staff at each KTC by at least one native experienced and qualified in foreign trade.
- (e) Provide for larger general expense costs, including a reasonable sum for entertaining buyers.
- (f) Prepare and issue a statement of policies and a program to govern the Overseas Network.
- (g) KOTRA should channel all communications (except accounting matters) to and from the Overseas Network through the head of one existing department, so that the workload and performance of each branch of the Network can be better gauged. Sales quotas assigned to each KTC are meaningless because there is no dependable way of recording such sales. This practice should be discontinued. Performance should be measured by quality and volume of correspondence, and of research.
- (h) Every overseas employee of KOTRA must be fluent in the native language and at least one in English, where English is not the native tongue.

SECTION 3A - PUBLICATIONS: Publish an "Annual Buyers Guide" for distribution mainly to importers. Study effectiveness of the semi-weekly "Foreign Market Information" and the monthly "Trade Promotion", also, whether the mailing lists need correction.

SECTION 17A - BUDGET FOR 1966: The life blood of a nation depends on its exports to a great extent. KOTRA should be provided with a larger budget (\$1,593,982) to perform vitally necessary functions. Reasons for recommended increases are specified in each pertinent section as are reasons for certain recommended reductions.

DOMESTIC ACTIVITIES

SECTION 1A - RESEARCH: Review special releases to determine whether they are necessary, how effective they are and whether the mailing list needs revision.

SECTION 1B - EXPORT INSURANCE: The establishment of such a program should be expedited since it is essential as a means of building greater exports. However, it is not a KOTRA function.

SECTION 2A - EXPORT PROMOTION WORKING COMMITTEE (EPC) AND EXPORT PROMOTION SUBCOMMITTEE (EPSC): While these committees are doing a splendid job, the cumbersome structure should be simplified. The same applies to the six EPC Work Groups and the twelve EPSC Work Groups.

SECTION 2B - OPERATIONS AND ADVISORY COMMITTEE: Terminate the Operations Advisory Committee and create a Board of Directors to establish KOTRA policy. Make businessmen an integral part of this Board.

SECTION 3B - PUBLIC RELATIONS ADVISORY COMMITTEE: This is an effective group and should be continued.

SECTION 4 - BUSINESS INFORMATION SERVICE DEPARTMENT Supply foreign importers with relevant page(s) from the "Annual Buyers Guide" in lieu of sending only one or two names.

SECTION 5 - TRADE INFORMATION SERVICE AND SHIPPING CENTER: Eliminate the Trade Information Service. Retain the Shipping Center.

SECTION 6 - SOUTH VIETNAM EXPORT PROMOTION CENTER: Ask MCI to coordinate various efforts into one body to increase trade with South Vietnam.

SECTION 9B - PACKAGING AND DESIGN COMMITTEES: The Packaging Committee should speed up the adoption of packaging standards for use by all exporters. Promote better end-product display techniques for retail selling. Reactivate the dormant Design Committee.

SECTION 11 - HANDICRAFT CENTER: This effort should be limited to a highly selective exhibit and housed in the Export Display Center. The proposed retail selling program is not necessary since it is already well covered in the Bando Chosum-Arcade.

SECTION 12 - EXPORT TRAINING SCHOOL: Increase student body. Revise pedagogical methods in several ways including the requirement that each student submit an export order case study to be graded as passing or failing.

SECTION 14 - GENERAL AFFAIRS: Study accounting and administrative activities for methods of simplification. One specific example is cited.

SECTION 15 - ACCOUNTING: Combine Accounting with Budgetary Management Office into one Section as formerly. Duties are closely related.

SECTION 16 - TRADE LIBRARY: Provide more space for this very essential activity, which cannot perform efficiently in present cramped quarters.

SECTION 17B - BUDGETARY MANAGEMENT OFFICE: Combine into one Section with Accounting as formerly. Duties are closely related.

SECTION 18 - AUDITOR: Arrange for a quarterly audit by an independent Certified Public Accountant.

GENERAL RECOMMENDATIONS

- A. If a large retail store could be opened on Fifth Avenue, New York City, this would be an ideal way of bringing Korea and its products to the attention of big business in America.

The largest companies have buying offices in New York and buyers for others frequent the New York market. Fifth Avenue window-shopping is a common practice for these buyers and they would see the Korean store. The opening of such a store would command a lot of space in the press.

The best way to accomplish this objective is to prevail upon one of the large Korean business department stores to do it as a private venture. An alternative would be to sign up a number of retailers selling various types of products and rent space to each of them.

It is hardly necessary to enumerate the large variety of products that would find public acceptance. They run the whole gamut from slippers to bicycles, from textiles to pianos, from all types of apparel to grass wallpaper, radios, sewing machines, handicrafts, canned marine products and a host of others.

- B. KOTRA should engage a top-notch man experienced in foreign trade as Director of Merchandising. His task would be to lend more of the sales promotion and sales spirit to the various departments concerned with such activities including, but not limited to, Business Information Service, Overseas Network, the Export Display Center and Public Relations.
- C. KOTRA is competing in the manpower market for people with foreign trade experience who speak English and other foreign languages. It is not possible to attract people of this type with the present salary scale. It would be highly unwise to neglect this facet of KOTRA's needs. A reasonable increase in salary for people of the type described can go a long way toward making KOTRA's operation more successful.
- D. There are many men presently employed in government and elsewhere who have experience in foreign trade and a knowledge of English, as well as other languages perhaps, whose talents are not being utilized appropriately. KOTRA should attempt to recruit such men.
- E. Avoid complicated committee structures. Fewer committee meetings will permit more time for constructive effort.
- F. The present staff in KOTRA's various departments should be fully adequate to handle an increased number of Korea Trade Centers.

CONCLUSIONS

Considering that it is in existence less than four years, KOTRA is doing a good job. Of course there have been mistakes. Some have already been corrected and this report makes suggestions on how to further improve KOTRA's operations and obtain the greatest value for money spent.

It is gratifying to report that the various Korean associations offered few specific complaints about KOTRA's present operations. Overall there was far more praise than criticism from them. It is true that some association leaders felt that their organization could perform certain KOTRA operations better. This suggestion is not endorsed.

The question has been asked several times as to why one of the private business associations should not be doing all of KOTRA's job. There are several excellent reasons why this would be impracticable and unwise.

1. Private associations are needed to represent the private sector of the economy. They should be free to criticize the activities of the governmental organizations, hopefully on a constructive basis.
2. It is difficult to get private industry to spend money on a long-range program which may not pay off for three to five years or more.
3. The various trade associations have different interests and if one of them were selected to handle KOTRA's job, rivalries would arise out of the conflict of interests.
4. A privately run organization will naturally favor its members rather than serve the entire business community and the nation at large.
5. In Section 2B it is urged that the business and financial community be invited to play a significant part in KOTRA's work.

Such organizations as KOTRA are invariably subject to skeptical appraisal even in countries where exports are rising steadily. Unfortunately, as stated above, the long-term nature of KOTRA's job produces less in the way of immediate results than businessmen generally seek. Long-term seeds are being sown, but it is difficult to measure current performance by the number of inquiries answered or the number and total amount of transactions concluded with KOTRA help. Nevertheless, KOTRA has proved itself to be indispensable. If it didn't exist, it would have to be created.

KOTRA comprises for the greatest part a youthful, energetic, bright and dedicated group of executives and employees. Most of the executives have earned Master's or Baccalaureate degrees from Korean, Japanese or American universities. Most of them have had some business experience and speak English fairly well, a faculty that is indispensable for foreign trade.

The writer has been tremendously impressed, both in Seoul and on trips to other cities, with the spirit of sacrifice and hard work that is evident among Koreans at every level and on all sides. Making due allowance for AID help, the job that is being done can fairly be called "Operation Bootstrap." Korea can properly be compared to a chrysalis that has broken out of its cocoon and is flying higher and higher with ever increasing strength. Foreign investors should continue to find appealing opportunities in Korea and, as results become known, the number of these investors ought to grow continually.

I cannot end this Section of the Report without expressing my warm thanks for the sincere and full-hearted cooperation that I have received on all sides. Those who have helped me cannot all be named, but at least let me express my personal appreciation to Mr. Lee, Chul Seung, Assistant Minister, Ministry of Commerce and Industry, Mr. Oh, Pum Sik, President of KOTRA, and all the Department Directors of KOTRA, likewise, to the leaders of the Korea Chamber of Commerce, Korea Businessmen's Association, Korean Traders Association and the National Federation of Medium and Small Industry Cooperatives. My task has been greatly eased by the help I have received from Mr. Amicus Most, USOM's Senior Advisor in Export Development, as well as from the previously named other members of the USOM staff. Mr. Kim, Kyong Mo, assigned to me as interpreter and assistant at KOTRA, Mrs. Ralph Docterman and Mrs. Fletcher Riggs have been dedicated aids and have been helpful with their suggestions and generous with their time and efforts.